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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL DIVISION

FEB 11 1970

Dear Mr. Kelly:

This letter is the second in a series of letters we plan to send to you relating to our evaluation of selected aspects of the redesigned automated central payroll system, Department of Health, Education, and Welfare (HEW).

The subject of this letter is the Time and Attendance Input System for Pay Computation and Leave Accounting. This system was designed for use by the Division of Central Payroll (DCP), an operating division of the Data Management Center, in the computation of pay and the maintenance of individual employee leave records. The input into the system consists of a single document, the time and attendance report, which is in punched card form (HEW Form 402).

Before each biweekly pay period, the Division of Data Processing, another operating division of the Data Management Center, prepares the time and attendance report for each employee appearing on the most recent payroll master file. This is accomplished by punching and printing descriptive information, such as the employee's name, social security number, timekeeper number, and his regular tour of duty, on a blank time and attendance card. The cards are then sent to payroll clerks in the DCP who forward them to the timekeepers. The timekeepers manually record the hours worked and the leave taken by each employee during the following pay period on these cards. At the end of each pay period the completed cards are returned to the DCP where they are used to compute the employee's pay and to adjust his leave records.

We examined into the procedures used to prepare and process the time and attendance cards with a view toward ascertaining the degree of accuracy that the DCP could expect to attain on the paychecks and leave records prepared under the Time and Attendance Input System for Pay Computation and Leave Accounting. Our evaluation showed that certain basic controls essential to the accurate and complete processing of employees' pay and leave were not included in the Time and Attendance Input System. The controls needed are (1) controls that detect incorrectly prepared time and attendance reports, (2) record counts, (3) predetermined control totals, and (4) controls to prevent improper use of prepunched payroll cards. These matters are discussed more fully below.

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CONTROLS NEEDED TO DETECT THE
INCORRECT PREPARATION OF TIME
AND ATTENDANCE REPORTS

To assure a high level of reliability in the Time and Attendance Input System, it is necessary that timekeepers prepare time and attendance cards accurately. An inaccurately prepared card will usually result in inaccurate pay computations and leave balances because there is little that the DCP can do but accept the card at face value.

In our report to the Congress entitled "Need for Improvements in the Automated Central Payroll System of the Department of Health, Education, and Welfare" (B-164031, January 17, 1969), we discussed the need for greater accuracy in the maintenance of time and attendance records because of the many errors attributable to incorrectly prepared cards. Even though a revised timekeepers' manual and additional training have been provided to timekeepers, our recent review of error analysis reports and timekeeping functions performed within the DCP showed that considerable improvement is still needed to ensure accurate preparation of these cards. For example, we noted that at the end of one pay period the timekeeper prepared a time and attendance report for an employee who was absent from work on the basis of a discussion with fellow employees of the absentee. In this instance it appears that the employee did not promptly report his attendance or absence to the timekeeper nor did the timekeeper record time and attendance on a daily basis.

We also found that many of the types of errors noted in our January 1969 report continued to occur in December 1969. Specifically, the timekeepers continue to make clerical errors in recording annual and sick leave and in recording the number and type of hours worked. Most of these errors were simple errors in arithmetic, mistakes in carrying totals forward, and similar inaccuracies.

We believe that supervisors should take greater responsibility in making certain that an employee's time and attendance report accurately reflects his actual attendance because the report is used to authorize payment of the employee's salary. In addition, supervisors should be certain that the employee's time and attendance is recorded on a daily basis. In this respect, experience has shown that if attendance is not recorded daily the frequency of errors increases. We also believe that employees should be made more aware of their responsibility to promptly report their attendance or absence from work. In our opinion, the number of errors attributable to improperly prepared time and attendance reports can be minimized if timekeepers and employees carry out their responsibilities as described in the HEW Guide to Timekeepers. We suggest that you consider instituting administrative controls to ensure strict compliance with the timekeeping practices prescribed in the Guide to Timekeepers.

NFED FOR RECORD COUNTS

Record counts are used as a basic technique for insuring that all records or documents have been received and processed and that unauthorized records and documents are not introduced into the payroll operation. Our examination showed that when time and attendance cards were returned to the DCP by timekeepers they were not accompanied by record counts to indicate the number of cards that were being returned. Thus, the DCP could not determine whether it received and processed all the cards returned to it by the timekeepers. In addition, the lack of record counts prevented the DCP from being certain that unauthorized cards had not been added to those returned by the timekeepers.

Many types of errors described in our report to the Congress, B-164031, could have been prevented by record counts. Subsequent to that report the DCP established a procedure for estimating a card count in the DCP before the time and attendance cards are forwarded to the Division of Data Processing. However, based on our examination, we believe that the procedure does not provide an accurate record count.

The procedure provides for DCP to count the number of full boxes of cards and estimate the number of inches of cards in partially filled boxes. The "count" is obtained by multiplying these statistics by the average number of cards per box. In contrast, the Division of Data Processing obtains a record count by the actual machine count of the cards processed. However, the DCP does not reconcile the estimated record count with the more precise count established by the Division of Data Processing.

We believe that the procedure used by the DCP provides little assurance that all the cards received from the timekeepers are forwarded to the Division of Data Processing and that all the cards sent to data processing are actually processed. We believe that, to be useful, record counts should be performed by the timekeepers and used by the DCP and the Division of Data Processing to make certain that all reports prepared by the timekeepers--and no others--are received and processed. During our review of the Error Analysis and Reporting System (see our letter of November 24, 1969), we found that many of the errors described in our January report that could have been prevented by record counts continued to occur.

NEED FOR PREDETERMINED CONTROL TOTALS

During our examination, we found that predetermined control totals are not used to ensure the accuracy of the time and attendance report processing operations. In our opinion, predetermined control totals, along with record counts, are needed by the DCP and the Division of Data Processing to ensure that all the time and attendance cards prepared by

the timekeepers had been received and processed correctly, that unauthorized cards had not been added to those prepared by the timekeepers, and that unauthorized changes increasing the number of hours worked and thus the amount of pay due an employee had not been made in the cards before being processed by the Division of Data Processing.

Furthermore, the computer is not programmed to create an error message in instances where time and attendance cards are missing for part-time employees and consultants. Therefore, in the absence of record counts and predetermined control totals over the number of hours worked, missing time and attendance reports for these groups of employees would not be detected until they complained about not getting paid.

In a letter to the heads of departments and agencies (B-115369, September 18, 1957), the Comptroller General stated that predetermined control totals should be used to provide a means of checking the accuracy of the data being processed. He stated further that, in the case of payroll applications, predetermined control totals of at least hours and rates of pay should be utilized as provided for in Title 6 of the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies.

We believe that the timekeepers should establish totals of the number of hours worked and the number of hours of leave taken and forward these predetermined control totals to the DCP with the time and attendance cards. By comparing these totals with similar totals developed during the machine processing of the reports by the Division of Data Processing, the DCP and the Division of Data Processing could be assured that all the hours worked had been processed correctly and that no unauthorized additions or changes had been made to the cards.

NEED FOR IMPROVEMENT IN
CONTROLS OVER PREPUNCHED
PAYROLL CARDS

As explained previously, prior to each biweekly pay period, prepunched time and attendance cards are prepared by the Division of Data Processing for each employee in the most recent payroll master file. These prepunched cards are then sent to the payroll clerks in the DCP, who forward them to the timekeepers. At the end of each period the timekeepers return the cards directly to the payroll clerks at the DCP. Since the payroll clerks also have custody of payroll forms and records, it would be possible for a payroll clerk to increase the time worked by specific employees or create a master record for a fictitious employee, extract the prepunched card before forwarding the cards to the timekeepers, and reinsert it when the timekeepers return the cards.

Since the prepunched cards are returned to payroll clerks without the benefit of record counts and predetermined control totals, there is little control--other than reliance upon the integrity of the payroll clerks--to prevent unauthorized, fraudulent, or otherwise irregular transactions from occurring. In addition to the need for record counts and predetermined control totals, we believe a greater segregation of duties and responsibilities is needed within the DCP. In this regard, prepunched time and attendance cards should be sent directly to the timekeepers. Incorrect cards and cards for employees unknown to the timekeeper should be returned to a group independent of the payroll clerks. This independent control group should be responsible for making the necessary corrections to employee payroll records and leave balances. Further, we believe this group should be responsible for reconciling record counts and predetermined control totals which would assist HEW in detecting any unauthorized alterations of the time shown on the prepunched cards.

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We will be pleased to discuss the matters cited in this letter more fully if you wish.

Sincerely yours,


Philip Charam
Associate Director

The Honorable James F. Kelly
Assistant Secretary, Comptroller
Department of Health, Education,
and Welfare